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FISCAL IMPACT STATEMENT

LS 7153

BILL NUMBER: HB 1603

NOTE PREPARED: Feb 5, 2007

BILL AMENDED:

SUBJECT: Fees for new construction.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Interim Property Fee:* This bill imposes an Interim Property Fee on a newly constructed homestead as of the time the homestead is complete and before it is subject to property tax. The bill distributes revenue from the Interim Property Fee in the manner that property taxes are distributed, but reduces property tax levies by the amount of the fees.

This bill also imposes an Education Impact Fee on newly constructed homesteads and newly constructed multifamily residential buildings to be paid by the purchaser at the time of transfer of title. It also requires deposit of impact fee revenue in the School Capital Projects Fund.

Effective Date: January 1, 2008.

Explanation of State Expenditures: The total levy for the calendar year in which the Interim Property Fee is collected will be reduced by the amount of that fee. As a result the state will not pay Property Tax Replacement Credits or Homestead Credits when the county collects this fee. This is expected to reduce combined PTRC and Homestead Credits by \$6.7 million in CY 2008, subject to appropriation.

Explanation of State Revenues:

Explanation of Local Expenditures: The collection, administration, and enforcement of this fee will increase expenses for Township Assessors, County Assessors, and County Auditors.

Explanation of Local Revenues: *Interim Property Fee:* It is estimated that the Interim Property Fee will generate \$25 million in revenues in CY 2008. The total levy in a calendar year, for all taxing units in a

county, will be reduced by the amount generated by this fee in that calendar year.

Education Impact Fee: The Education Impact Fee is to be collected at the rate of \$2,500 for each new homestead and \$1,250 for each unit in multi-unit residential properties. The Education Impact Fee is estimated to generate \$90 million in revenue in CY 2008. The revenue is to be made available for capital projects to the school corporation within whose taxing district the new construction has taken place.

Estimation Issues: The Interim Property Fee was estimated by first computing the annual increase in assessed value, and then computing the actual Interim Property Fee revenue on a monthly basis by assuming that the increase in AV was distributed equally across all months (1/12th of the base). The monthly values for the Interim Property Fee and expected state PTRC and homestead credit savings were then totaled, giving the final projections of revenue from this fee.

The Interim Property fee was computed in the following manner. Changes in the abstract total real assessed value were tabulated for years between CY 2003 and CY 2006. During these years the statewide total real assessed value increased by between 1.18% and 2.21%, with an average of 1.70%. This increase is assumed to be due to new construction, since assessed values for CY 2003 - CY 2006 are based on CY 1999 values.

The gross real assessed value for all counties in CY 2006 amounted to \$323 billion; at a rate of 1.70% the increase between CY 2006 and CY 2007 is estimated at \$5.5 billion, increasing to \$5.6 billion in CY 2008. The increase in gross real assessed value for CY 2007 was therefore estimated at \$5.5 billion. The Interim Property Fee was computed in the same manner as the net real property tax, using the estimated 2008 gross tax rate and the 2006 PTRC, state homestead, and local homestead rates.

The base amount was then assumed to be collected in equal amounts during the 12 months of the year; the expected Interim Property Fee (and associated state savings) was then computed using this monthly schedule. The monthly values were then totaled to produce a CY 2008 estimate for the expected revenue from the fee and the state's savings on PTRC and homestead credit payments.

The Education Impact Fee is based on a tabulation of parcels in the LSA statewide property tax database of parcels by property use code for CY 2006. The CY 2007 increase was estimated as 1.7% of the total number of similar parcels in CY 2006, resulting in a CY 2007-estimated increase of 32,000 homestead and 7,000 units in multi-unit residential properties. Using the rate of \$2,500 for homesteads and \$1,250 for units in multi-unit residential properties resulted in a CY 2007 total fee of \$89 million which was inflated at 1.7% to a CY 2008 estimate of \$90 million.

State Agencies Affected: State Board of Accounts

Local Agencies Affected: Township and County Assessors; County Auditors

Information Sources: Abstract; LSA statewide property tax database, LSA CY 2008 projections

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